



**MINUTES
CITY COUNCIL WORK SESSION
September 20, 2022**

CALL TO ORDER

The meeting was called to order at 5:30 pm.

Present: Mayor: Charlie Miner; Council: Jahn Dyvik, Mike Feldmann, Gina Joyce, and Deirdre Kvale

Staff Present: City Administrator: Scott Weske; City Clerk Jeanette Moeller

Absent: None

APPROVE AGENDA

A motion was made by Dyvik, seconded by Miner, to approve the agenda as presented. Ayes: all.

OPEN CORRESPONDENCE

No one was in attendance to address the City Council during Open Correspondence.

BUSINESS ITEMS

Discussion of Preliminary 2023 Budget and Levy

City Administrator Weske reviewed information from the proposed 2023 Budget and Levy report and reflected that in the past, the Council's goal has always been to maintain the City's tax rate at the same level or reduced a bit. He highlighted budget impacts related to a cost of living adjustment (COLA) for all employees; operations costs impacted by inflation in areas such as natural gas, electricity, and fuel; the annual Police contract; and health insurance premiums.

Council member Kvale sought confirmation that the proposed budget being presented included all the anticipated increased expenses that he was reviewing.

Weske confirmed that was correct, but clarified that he does not yet have the actual health insurance increase so the number he had budgeted was an estimate.

Council member Kvale commented that she found the table City Administrator Weske had put together that depicted General Fund expense levels, debt service, revenue, levy options, and what would happen under various tax rate scenarios to be very helpful.

Council and staff discussed a number of detail areas within the proposed budget and levy; the possibility of changing utility rates so they do not continue to move further into a negative operations balance; and the possibility of using current cash on hand to pay off negative balances in the utility funds.

Council member Feldmann observed that he sees there being three components related to the issue with the utility funds. There is the current issue of utility funds operating in the red, the City must always gather enough funds in its levy to exist for another year, and the utility funds have to account for the depreciation component.

Weske explained that if the City did not want to try to work towards rates resulting in enough funds to cash out depreciation, the City would have to bond, but in that scenario the City also has to have rates generating revenue to pay back the debt.

Council member Dyvik questioned whether the City was going to have a positive balance in the sewer fund at the end of 2022.

Weske responded that the sewer fund balance would still be negative, and that takes into account the WAC and SAC fees to be captured from new developments. He added that while there will be some cash inflow in 2022, there still needs to be a conversation about amending the rates. He pointed out that cash inflow from new development is simply a one-time influx.

Council member Dyvik commented that he would rather not move forward with a double-digit levy percent increase in order to reduce the tax rate to somewhere around 9% for public benefit, and then beginning to work towards getting the sewer fund to be self-sustaining.

Council member Feldmann agreed and noted that it is very important for the rates to pay for themselves.

Council members and staff discussed the status of the sewer fund, making necessary changes a little at a time versus all at once, and the possibility of implementing monthly billing versus quarterly.

Looking ahead, Weske shared his concerns about what may be coming up in 2026 because of the uncertainty with the Fire Department situation.

Council members commented on the development projects occurring in the City and what they may mean to the City's revenue stream.

Weske pointed out details with regard to capital purchases within the Fire Department and voiced reasons he would suggest the City should start adding more funds in that area.

Council member Dyvik reiterated that he did not want to see a double-digit tax rate number and would favor the idea of a 9% levy increase rather than a 18.92% levy increase.

Weske suggested that the Council take a look at how they would like to use surplus funds, for example, to address costs of operations associated with inflation.

Council member Dyvik stated that he believes the narrative and thought should be that the City is finally focusing on its roads. He suggested that it might be a good idea to stay away from the word 'surplus' because he thinks that can be misleading and makes people question why that money is not just coming back to them.

The Council reviewed the projected 'surplus' or additional levy funds from the 2022 budget cycle and recalled that most of the funds were allocated to the Pavement Management Fund. They discussed the cost of materials increases that have developed over the past year, inflation, market value adjustments, and how the levy may be impacted in the future when market valuations are reduced.

Council member Dyvik reiterated that he would rather the City move forward less aggressively with its levy increase for a tax rate reduction, and then work to bring up the sewer rates to a sustainable level.

Weske noted that for 2023, current projections are anticipating the sewer fund losing \$75,000 with the surface water fund to lose \$52,000.

Council member Dyvik commented that would like to see the City continue to make small adjustments in the utility rates until they get it right.

Mayor Miner stated that he would like the City to identify some funding next year for traffic safety and pedestrian management improvements.

Weske suggested that the Council make that one of their goals rather than allocating it as a levy line item.

The Council discussed possible funding sources for pedestrian safety improvements, including grant opportunities for pedestrian management, hard wiring versus solar for signals, and the hope that something could be done by next spring at the Wurzer Trail crossing of Wayzata Boulevard W.

Weske asked for Council feedback on the proposed 3% COLA for staff.

Mayor Miner voiced support of a 3% increase for a staff COLA.

Council member Dyvik questioned what surrounding cities were considering for a COLA for their employees.

Weske replied that he believed Orono's COLA had been close to 10% for their Public Works staff, and Medina was at about a 5% COLA. He added that he had run a quick calculation and if the City went from a 3% to a 5% COLA, it would add \$13,000 to the overall budget.

Council member Dyvik commented that he would suggest that perhaps the City consider going higher than 3% for the coming year's COLA.

Council member Feldmann stated that he would like to see information from the neighboring cities because he would want to ensure that the City is in line with the area from a COLA perspective.

Weske noted that union dues are expensive and discussed the current situation in Maple Plain, who had opted to close their own Public Works Department and has contracted out for Public Works services.

Mayor Miner asked Weske to obtain some comparable information on staff COLAs from neighboring cities for the Council to consider.

OTHER BUSINESS

No other business was discussed.

ADJOURN

Hearing no objection, Mayor Miner adjourned the meeting by general consent at 6:26 pm.

Respectfully submitted,

Scott Weske
City Administrator